Service delivery transformation

10 ways to get more from your service delivery organization

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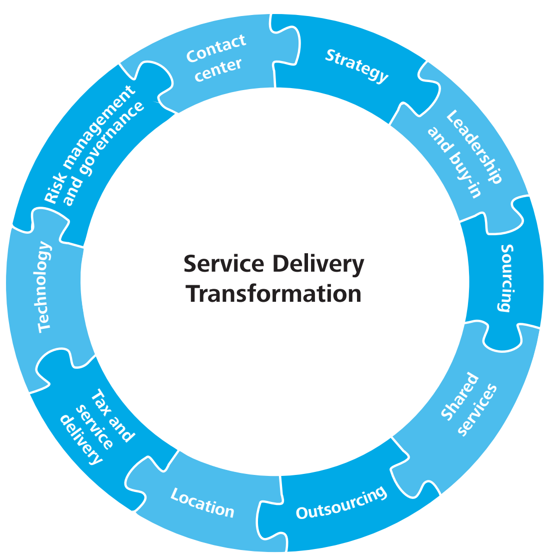
Foreword: Service delivery transformation – finding the opportunities

Think of all the money and effort your enterprise puts into business support services – finance, human resources (HR), information technology (IT), and the rest of the "supporting players" that underlie your organization's core business activities. Now think of the value your business could gain if support service quality was consistently high, costs were consistently under control, and the whole thing ran so smoothly that everyone was consistently satisfied with the service they received.

Service delivery transformation is about making the journey to such a state. It's about creating a business services organization that's precisely aligned to your enterprise's needs, and keeping it that way through all the changes that an evolving strategy and shifting environment may bring. It's about developing a multi-shore, multi-delivery, multi-solution service delivery platform that can help your business effectively pursue long-term value. Most of all, it's about putting together the leadership, strategy, and execution to consistently deliver high-quality, cost-effective, user-friendly service, freeing the rest of the enterprise to focus on core business activities.

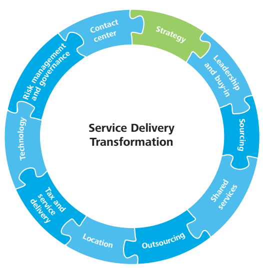


Few organizations, of course, have the luxury of creating an ideal service delivery model from scratch. Instead, companies need to build on the service delivery processes they already have, strengthening what works and transforming the rest in a process of continuous improvement. Sometimes, the transformation may be major: setting up a shared services organization (SSO), offshoring and/or outsourcing multiple functional processes, or implementing a new Enterprise Resource Planning (ERP) system. At other times, the changes can be more incremental as leaders make ongoing adjustments to service delivery strategy and operations, such as rationalizing vendors or moving to a shared model for skill-based activities such as real estate, knowledge management, or legal services.

But no matter how big or small, a change to a company's service delivery approach can represent an opportunity for improvement. And the potential for improvement can arise in multiple areas – from obvious candidates such as sourcing strategy and technology to areas farther afield, such as tax and risk management.

In this paper, we offer you a sampling of areas in which we believe you may find compelling opportunities for enhancing the value of your service delivery model. Although the areas we highlight may seem disparate and far-flung, each area can be essential to helping a service delivery organization improve performance. We hope the ideas presented here are helpful to you in your organization's service delivery transformation efforts.

1. Strategy: Get aligned



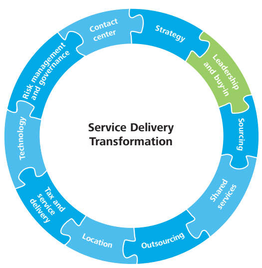
In our experience helping companies with service delivery transformation, we've seen surprisingly few organizations whose service delivery approach is in harmony with its strategic objectives. Instead, we've found that most leaders see service delivery as tangential to business strategy: necessary for execution but not a critical success factor. If support services are considered at all in strategic planning, it's usually from a budgetary perspective ("What do support services cost us and what can we do to reduce it?"). And that's a problem, because making a conscious, conscientious effort to align an organization's service delivery model with its business strategy can make an enormous difference – and still save money.

Here's an example of what we mean. One global life sciences company was pursuing a strategy of aggressive expansion in the Asia-Pacific region. Whenever the company set up operations in a new country, it would also set up an entire new support infrastructure in that country to provide HR, IT, finance, and other services to the local business. This meant that the company was incurring a significant fixed cost for support services in each country – before that country's business had grown enough to pick up the tab. The result: The company was in danger of growing itself out of business, becoming less and less profitable with each country it added to its portfolio. The solution? Leaders created an SSO to serve all of its new Asia-Pacific businesses, which allowed the company to expand into new countries in the region without taking such a large hit to its cost structure every time.

Situations like this can put a business at risk of either over-investing or under-investing in its service delivery infrastructure, or investing in approaches that are less than optimal for its needs. To combat this risk, we encourage leaders to explicitly map out their organization's service delivery needs as they develop their business strategy. Ask what kinds and levels of support services the business will need to effectively execute the strategy, and then explore options for delivering those services at an acceptable cost. Then create a service delivery strategy that parallels and supports the business strategy – one that can serve as a high-level guide for taking the organization's service delivery infrastructure from "what is" to "what needs to be." And don't forget to revisit the service delivery strategy if the business strategy changes, or you may wind up with a service delivery organization that may operate at cross-purposes with the rest of the enterprise.

At many organizations, the people who drive corporate strategy and the people who make service delivery decisions move in separate worlds. We think that bringing them together for a strategic dialogue *before* major service delivery initiatives take place is key to maintaining long-term service delivery excellence.

2. Leadership and buy-in: Understanding your organization



In any service delivery transformation effort, you'll want to make some important tactical decisions about the steps you'll take to implement your new service delivery model. For example: What functions and processes will you outsource first? Should you roll out your ERP before, after, or at the same time as you set up your shared services center? What part of the world will you begin with? Should you consolidate processes within countries first or go directly to a regional or global service organization? And who should champion the effort, both overall and to specific groups within the enterprise?

Usually, such decisions about transformation timelines and activities are driven by concerns around time (what's fastest?) and money (what's most cost-effective?). But while these are important considerations, they're not all that should shape an implementation plan. In many ways, the success of any major strategic change depends on an organization's people. And that's why we think it's critical to understand how your people are likely to respond to the transformation effort – *before* you make any firm decisions about what to do, when to do it, and whom to involve.

Information about which stakeholders are most likely to support or resist the transformation, what changes evoke the most resistance among whom and why, which groups respond best to what leadership styles – all this can be vital to developing an implementation plan that works with, not against, the grain of a company's underlying organizational dynamics. In particular, we think it's especially useful for leaders to understand:

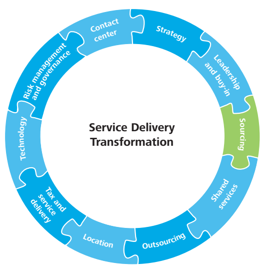
- How closely do people ***identify*** with various groups within the enterprise? If business-unit leaders in Europe identify themselves more with their country than with the global organization, for instance, they may not be as amenable to a pan-European shared services effort than business-unit leaders with a more global orientation. Or to take another example, accounting personnel who feel a strong affiliation with the finance function may be more receptive to messages coming from the CFO – one of their own – than from a local business-unit leader, or even from another corporate executive.

- How ***committed*** are people to a particular goal, and why? All other things being equal, it's wise to begin any transformation effort with the groups who are most committed to it. Are IT and Finance supportive of outsourcing, while HR is on the fence? Then consider IT and Finance for the first wave of outsourcing, and work on understanding and addressing HR's concerns about outsourcing in the meantime.

- What ***decision-making styles*** exist within different groups across the enterprise? Understanding how best to gain buy-in requires a nuanced understanding of group decision-making styles. Some groups, for instance, respond best to strong top-down guidance articulated through a compelling vision for the larger organization's good. Other, more autonomous groups may opt in only after understanding why an initiative is important to fulfilling their own personal goals as well as those of the organization.

Make no mistake: It's hard to get people to change. Proactively seeking to understand your people's views about the change, as well as leaders' and followers' perceptions and preferences regarding the ways they work together, can help you chart the path of least resistance to your new service delivery model – and give you a head start in garnering the support you need.

3. Sourcing: Keeping the mix current



Should a company outsource business support processes, set up an internal SSO, or perform them locally? As most leaders realize by now, the right answer is almost always "all of the above." In fact, many companies today are pursuing a "portfolio" approach to sourcing, using a mix of outsourced vendors and in-house resources – including both shared services and locally based support – to deliver business services.

Developing an effective sourcing mix isn't a one-time decision, however. Your business and the external environment both evolve over time, and so should your sourcing strategy. Perhaps your company's overall strategy has changed since you originally set up your service delivery model. Or the outsourcing marketplace might have matured, making it more feasible to outsource certain processes than in the past. That's why we encourage leaders to periodically reevaluate their service sourcing strategy to keep the mix of options in line with the business' evolving priorities and needs.

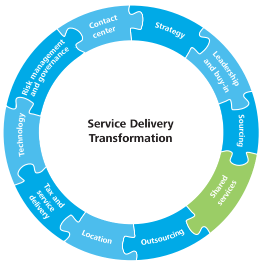
Whether you're revisiting the sourcing mix or making the decision for the first time, the question inevitably arises: Which sourcing options would be most effective for which processes and functions? In our view, the decision should progress in three steps.

The first step is to evaluate each process for its suitability for placement in a shared environment (whether outsourced or in-house): How well would the process work, and what would be the benefits, if it were standardized and performed by a shared group on behalf of the entire enterprise? Key issues to consider are the degree to which the process can be standardized across multiple locations or business units; the extent of direct interaction needed between the service provider (internal or external) and end users; and the potential for consolidation to yield cost savings, risk and control improvements, or other business benefits.

For each process that leaders feel would work well under a shared model, the second step is to decide which of the two options for shared service delivery – outsourcing the process, or transferring it to an internal SSO – would align better with the organization's core values, brand, and business strategy. Issues to consider include whether or not the process provides a critical competitive advantage; the degree to which the process requires inside organizational knowledge to perform; the extent to which the skills needed to execute the process are critical competencies within the organization; and the degree to which outsourcing the process could provide a strategic benefit, such as access to superior external skills.

Finally, for each process, leaders should evaluate the strategically preferable sourcing option – whether outsourcing or shared services – from a feasibility perspective: How easy or difficult would it be to implement the "ideal" sourcing option? Factors to weigh include the organization's cultural and political readiness to go forward with either outsourcing or shared services; the maturity of the outsourcing marketplace for the process in question; the extent to which the process may need to be standardized, consolidated, and/or re-engineered before giving it to an outsourced service provider or an internal SSO; and any language, regulatory, legal, and privacy considerations that may come into play in the service relationship.

4. Shared services: Run it like a business



Is an SSO a cost center or a profit center? On paper, it looks like a cost center – after all, it doesn't bring in revenue from outside. But we think there's an excellent argument to be made for treating it like a profit center in the way it's funded, resourced, and run. Why? Because unless an enterprise runs its internal SSO like a stand-alone business – making the same kinds of investments in the SSO that an independent service provider would put into its own organization – the chances are high that the SSO's efficiency and effectiveness will fall further and further behind where the enterprise needs the SSO to be.

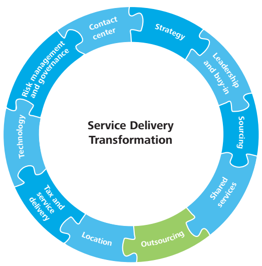
Investing in an SSO as if it were a profit center can take some fundamental shifts in mindset that may seem counterintuitive at first. For instance, a company may need to evaluate the business case for improvements to the SSO with an eye to more than just their cost-saving potential. A project (such as a new financial system) that could yield a 10 percent reduction in the SSO's operating costs might not make the cut for funding if evaluated according to a company's "regular" thresholds – but if the project may also deliver other benefits to the organization, such as greater financial reporting transparency, it may be worth doing even if the savings from an enterprise-wide standpoint are relatively small. Taking an end-to-end process view of the impact of investments, rather than evaluating their impact on the SSO alone, can help leaders more effectively evaluate the business case for improvements to the SSO. It is also important to remember that investments in an SSO may deliver benefits that are real but difficult to quantify, such as greater customer satisfaction and improved connectivity with the business.

Leaders can use several approaches to appropriately meeting the SSO's needs for investment. One strategy might be to encourage the SSO to self-fund improvements by giving it an initial funding "grant," which its leaders are then responsible for reinvesting; the more money the SSO is able to save, the more it will have available for further reinvestment. Another approach can be to budget and plan for the SSO in the same way as would be done for any "regular" business unit, but to set aside a separate pool of funds for potential SSO investment so that the SSO would not be competing against large capital projects proposed by the rest of the business.

The SSO, of course, must be prepared to hold up its end of the bargain by pursuing investment opportunities that would lead to real benefits for the enterprise. Among other things, the SSO's leaders should be rewarded not just for driving cost reductions, but also for looking for opportunities to add value in ways other than simply by cutting costs. This, in turn, calls for SSO leaders to think more like entrepreneurs than like administrators. Putting the right person in charge of the SSO is key, as is finding the right team to plan improvement efforts and make the case for investment to corporate.

Running shared services like a business is more than just a nice idea. It takes a conscious effort and a sea change in thinking about the value of an SSO – but if done well, it can help an SSO keep pace with the strategic needs of the business it serves.

5. Outsourcing: Managing relationships for competitive advantage



Most companies that outsource rightly put a tremendous amount of thought and effort into choosing their vendors and negotiating their contracts. However, far fewer companies, in our experience, invest comparable effort in managing the relationships with those vendors once the contracts are executed. This becomes even more critical in a complex environment where a company is managing multiple vendors that provide a wide range of services, possibly in multiple locations.

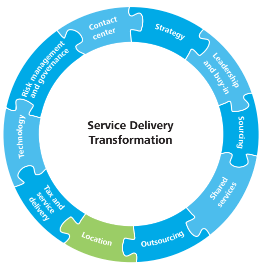
Given the risks and complexities inherent in working with external parties, we believe a structured vendor relationship management program should be a critical part of any large-scale outsourcing initiative. In fact, our experience suggests that the creation of a dedicated vendor management group can be of great benefit in helping companies address the challenges of managing vendor relationships after contract execution.

One key consideration in establishing such a group is to staff it with appropriately skilled people. The skills needed to make complex outsourcing relationship work on an ongoing basis include strong project management skills, executive relationship skills, and experience in portfolio and enterprise services management. Also important is to have a collaborative outlook and a commitment to working with vendors as equal allies in pursuit of a shared goal.

It's also important to think carefully about the models, processes, policies, and tools that should be implemented in order to successfully manage vendor relationships. Ad hoc approaches are no substitute for well-defined, mutually agreed-upon procedures for dealing with key issues such as performance management, risk monitoring and management, and issue escalation and resolution. Especially critical is the need to establish strong governance processes in order to provide overall relationship oversight and forums for discussion between key stakeholders from both sides.

We encourage companies to establish strong vendor relationship management capabilities relatively early in the outsourcing process. That's because effective vendor relationship management, in addition to helping drive the expected value from an existing relationship, can also help companies make an effective transition from in-house to outsourced service provision in the first place. The amount of change that typically takes place during such a transition can open up the risk of "scope creep" – and, hence, unexpected costs – as both parties reevaluate the extent of the work that needs to be done, the contractual obligations of each party to perform, and the associated fees. A thoughtful approach to planning, monitoring and reporting, communication, and governance during the transition can help reduce the risk of incurring unnecessary costs and unnecessary delays.

6. Location: A question of talent



The question of where to locate a services facility, we think, should ultimately come down to talent: its cost, quality, availability, and sustainability. The reason is simple. Talent is by far the biggest driver of the cost savings and quality improvements that consolidating services can deliver. And that means that getting talent right can be the most important determinant of whether a consolidation effort delivers on its business case.

Unfortunately, talent is also where we've most often seen companies fail in their due diligence when examining potential service center sites. It's not that leaders ask the wrong questions; it's that most organizations don't investigate the answers in enough detail. For instance, it's one thing to understand that different cities in the same country may have radically different talent profiles. It's another thing to realize that even different neighborhoods or suburbs of the same city may be considerably more suitable than others – for reasons ranging from ease of access and the length of the likely commute to the area's crime rate to the local community's appeal as a home for relocated talent.

Evaluating locations through a highly focused talent lens can be as much of an art as a science, so it's important to keep a clear focus on the organization's talent needs – both current and future – throughout the whole process. Detailed due diligence is key to getting the information needed to make a smart decision. Demographics surveys and government reports are a useful starting point, but they're no substitute for robust research and a conscientious, on-the-ground investigation of a location's talent dynamics.

Location and talent: Tips for conducting the search

- ***Be specific about skill requirements.*** The more precisely you can define the kinds of talent you'll need, the more focused you can be in your assessment of your ability to find and grow it in any given location. Instead of saying that you need "bilingual HR professionals," for instance, ask yourself if the local labor pool can meet your needs for people "fluent in both spoken and written Spanish and English, with an advanced degree, and with experience in U.S. benefits administration."

- ***Plan for future expansion.*** Project yourself several years into the future and speculate on what skills the center will need over the long term. If you know, or even think it may be possible, that you will eventually add a particular process into a facility, examine the candidate locations for the skills associated with that future process just as thoroughly as for the skills you need at the present time. And don't forget to factor the potential for labor cost increases into the business case for each location.

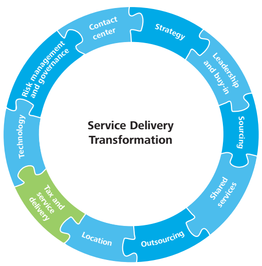
- ***Use multiple data sources.*** Instead of relying on just one or two sources of commonly available information – typically, reports from government agencies and/or demographic surveys – find multiple labor market inputs. Be especially careful about validating information that comes from parties with a vested interest in attracting business to a particular city or building.

- ***Think about talent sustainability.*** Attrition can be a perennial problem, especially at "hot" locations, so it is important to investigate how the talent pool will be refreshed at each location in question.

- ***Watch out for hidden costs.*** Base salaries alone don't reflect the true cost of talent. Regional differences in everything from benefits costs to holiday schedules can have a significant impact on talent's total cost. So can the effect of attrition differences on recruiting and training costs, as well as differences in projected annual salary and/or benefit increases. This means that costs need to be estimated based on the workforce's anticipated total cost – not just on salaries.

- ***Interview organizations that are already there.*** Try to get an insider's view of what it's like to find, retain, and motivate talent in each location on the table, and how the local talent market has evolved over time.

7. Tax and service delivery: A layperson's guide



"Get your tax people involved." Sound advice for any business transformation effort – so why do many executives often find it so difficult to do? After all, most leaders recognize that the level of tax borne on a transaction or a business model directly affects how much profit the organization ultimately realizes.

In our experience, the issue usually isn't that executives don't recognize tax's value. Rather, it's simply that they're not focused on the connections between business decisions and actions on the one hand and tax consequences on the other, particularly in the context of enabling processes. As a result, executives often don't appreciate how and when to bring tax into the discussion.

The importance of tax, and its relevance to overall business planning, is highlighted by the experience of one shared services leader who cited tax as the major driver of where to consolidate its four Latin American locations. "The economies of scale from consolidating in Latin America can easily be upset by the tax impact of cross-country charges," explained the leader. "The tax impact of importing services to Brazil, in particular, is huge. So instead of having one center for all of Latin America, we decided to set up a center in Brazil that will serve just that country, and serve the rest of Latin America from a second center elsewhere in the region."[1]

Virtually everything about a business transformation may have tax implications, so it's important to focus on the issues that could have the greatest impact on value. We think that the discussion points in the accompanying sidebar ("Taxing issues") can give most executives a solid basis for dialogue with tax that can help identify potential tax risks and benefits before they become realized losses or missed opportunities.

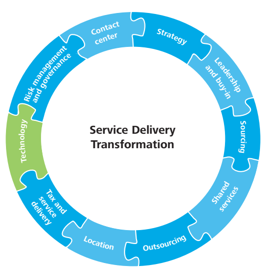
Taxing issues

Here are our candidates for the top questions that an executive should bring to his or her tax team when contemplating changes to the service delivery model:

- ***Are there any tax reasons that we should lean towards or away from a particular location for a service center?*** Avoiding high-tax jurisdictions may seem an obvious strategy, but there are also considerations related to cross-border taxation that may push an enterprise toward or away from certain configurations of locations.
- ***What kinds of credits or incentives might we be able to pursue for our activities?*** Many jurisdictions offer credits or incentives designed to encourage businesses to set up operations in the local community. Organizations may also be able to pursue credits or incentives related to employee training and development.
- ***Will the service delivery organization need to charge its customers any form of transaction tax, such as sales and use tax or Value-Added Tax?*** Transaction taxes on service delivery charges, whose rates can range into the high teens, can represent an "above the line" cost to the enterprise. Because of this, the enterprise should explore the impact of transaction taxes for various possible scenarios to determine potential chargeback alternatives or entity structures that would be effective.
- ***How can we determine how much a service center should charge its internal customers?*** Often, different countries have inconsistent rules for calculating taxes on value transferred between subsidiaries in different countries. This makes it necessary to carefully design and implement an appropriate transfer pricing policy to manage the risk of double taxation.
- ***Will there be any issues about whether the business units can deduct the charges they receive from the service delivery organization?*** If the charges are not deductible, the tax rate borne by the service recipient could be higher than it was under the old service delivery model.
- ***Which entity should make the investments needed to make the service delivery model work?*** Investments to build out the service delivery infrastructure – and, more importantly, the information and know-how to get the work done – may represent taxable "intangible value," making it important to make a tax-informed decision about who owns (and therefore owes tax on) that value.
- ***What data do our processes and systems need to capture in order to support effective tax planning and compliance?*** An outsourcing or shared services initiative, especially if it also involves a technology implementation, can give companies an excellent opportunity to revamp support processes and systems to collect essential tax information after changes are implemented to the service delivery model.

[1] "Shared services shines in challenging times," Deloitte Development LLC, 2009.

8. Technology: Fitting costs to value



IT services, whether they're delivered from an SSO or outsourced, can be one of the hardest areas to get "right" in terms of delivering the expected return on investment. Either the technology doesn't work well, or it costs too much, or both – a perennial sore point for many leaders.

In our experience, one reason for mismatches between technology's cost and its value is the way IT cost reductions are typically made. Many organizations take a primarily bottom-up approach to reducing technology costs, scrutinizing individual processes and applications for inefficiencies and rationalizing them where possible. Other organizations use a top-down approach that relies on benchmarking against competitors to set cost reduction goals, and then making cuts more or less across the board.

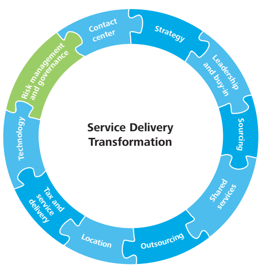
Both of these approaches can work to reduce costs – but a frequent problem is that IT service quality can suffer as a result. To reduce this risk, we recommend a "service-based" approach to planning IT cost-reduction initiatives. Instead of focusing purely on operational redundancies and inefficiencies, or setting cost-reduction goals based purely on taking competitor benchmarks, a service-based approach seeks to first understand what services are currently being delivered, the value users derive from them at a given service level, the cost of delivering the services, and how demand affects cost. The company can then determine what levels of which services are appropriate and necessary, and structure their cost-cutting efforts around the functionality end users need to work effectively.

Once the company has a firm idea of its IT services' desired state, it can then drill down to identifying specific cost-saving opportunities. These opportunities may come through efforts such as consolidating processes, rationalizing applications, and/or taking advantage of existing ERP capabilities instead of legacy systems. Such initiatives can drive savings from lower maintenance and licensing costs as well as a lesser need for data storage and server space to run multiple applications, which can translate into less frequent hardware purchases and upgrades. Consolidating and rationalizing applications and data can also significantly reduce the need for IT support, thereby allowing the organization to reduce or redeploy IT staff.

Just as important is to put strong governance and demand management processes in place to manage IT spend on an ongoing basis. A disciplined approach to evaluating proposed IT investments will consider not only the financial business case, but also the project's alignment with business priorities and the possibility of alternative solutions.

Streamlining the IT portfolio and installing the discipline to keep it that way is one of the most effective ways we've found for organizations to deliver the right technology to support business needs – at the right price.

9. Risk management and governance: Keep yourself covered



Most executives considering a service delivery transformation are well aware of the big-ticket risks that the effort might entail. But beyond the obvious risks of implementing a new service delivery model, there's another, equally important aspect of risk management that often falls off the radar during a transformation. That's the fact that your business support organization carries a significant amount of the responsibility for executing risk management on a day-to-day basis. Which means that making changes in that organization can cause a corresponding upheaval in even the most routine risk management activities unless you are well prepared.

To understand why, consider the huge role your accounts payable and receivable personnel (for instance) play in something as basic as managing financial reporting risk. They're the ones who record the data, perform the controls, and reconcile the books. They follow specific processes and use familiar technology tools to do what's required to control the risk of errors, omissions, and fraud. Then imagine what happens when accounts payable and receivable are outsourced or moved offshore to a shared services center. Inevitably, this means a major reshuffling of people, processes, and technology, all within a relatively short time. Add to this the pressure to meet deadlines and hit cost-reduction targets, and it's no wonder that risk management sometimes falls between the cracks, especially if it's viewed as peripheral to the "real" job of getting the new service delivery model up and running.

The antidote to such disorganization, we think, is largely a matter of governing the three key elements of risk management infrastructure during the transition:

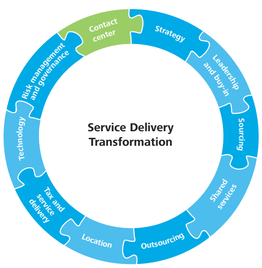
- **People:** When jobs are in flux, it's common for roles and responsibilities to fall into confusion. Treat risk management just like any other essential responsibility for which you need to maintain coverage. Clearly define what needs to be done, identify who in the new organization needs to do it, and train them, if necessary, in the skills they need to do it.

- **Process:** Radically redesigned service delivery processes may require radical rethinking of the risk management activities that go along with them. Align your risk management processes with the new service delivery processes, and look for opportunities to take advantage of the process redesign effort to make risk management more effective and efficient.

- **Technology:** Technology implementations often run up hard against deadlines and budget constraints, which may force managers to cut or reprioritize various aspects of the implementation to keep the project on time and within budget. We encourage leaders to take a risk intelligent approach to decisions about what to eliminate, what to defer, and what to keep. For example, we have seen organizations attempt to defer decisions about segregation of duties or delay installing functionality related to internal controls; yet these two elements are a vital part of the technological infrastructure for effective risk management.

The business services organization is often one of risk management's unsung heroes. It's vital to understand how to transform it without derailing the myriad risk management activities it performs.

10. Contact center: Fast track to improvement



A contact center is the function that allows your service delivery organization to engage its customers, whether they are internal or external. An effective contact center gives an organization's customers the right answer at the right time through the desired channel in a cost-effective and efficient fashion.

But a contact center can do much more for service delivery than simply manage interactions with customers. It can also play a key role in improving the effectiveness and efficiency of the service delivery organization itself. In fact, a contact center can serve as a window into service delivery difficulties, giving leaders valuable intelligence on where the most important opportunities for improvement might be with respect to revenue, customer satisfaction, or overall.

Essentially, a contact center exists as a resource for customers who, for one reason or another, have a request, question, problem, or concern related to the service they are receiving. This means that the contact center, given the right processes and tools, can collect a wealth of information about what aspects of service people find most troublesome, whether it's a glitch in the e-mail system, a question about health care benefits, or a request for a payment exception. And this, in turn, means that companies can use that information to find – and, if possible, fix – the root issues that are driving people to the contact center in the first place. Repeated complaints about buggy e-mail associated with your latest smartphone rollout, for example, might point to a need to reexamine the smartphone e-mail solution. An inordinate number of queries about a particular health care benefit could indicate the need for clearer up-front communication about that benefit. And an abundance of requests for exceptions might suggest that policies around payments need to be revisited – or that the company needs to invest in change management efforts to bring the number of requests down to a supportable level.

Of course, not every customer query points to a problem. There are many times when the contact center will need to assist customers even when the service delivery organization is performing as well as it should – in which case the contact center should have the right processes, operational capabilities, and enabling technologies to support service delivery strategy and objectives. The contact center and the service delivery organization should be well enough integrated so that the service delivery organization can help the contact center prepare to assist customers in potential areas of concern. For instance, the IT department can alert the contact center to known e-mail issues and supply contact center personnel with work-arounds, answers to frequently asked questions, and other helpful tips. Or the HR function can arm contact center representatives with scripts to explain complex benefits programs to customers.

By creating an ongoing feedback loop between the contact center and the service organizations they support, you can do more than just improve service delivery. You can also help the contact center control service delivery costs, reduce service center headcount, and improve customer satisfaction. The more smoothly and effectively services are delivered, the less reason customers will have to use the contact center, and the fewer queries the center will need to take – with a resulting impact on cost. And the better prepared the contact center is to field common questions, the more effectively its representatives can help customers with those concerns, and the happier the customers will be with the service.

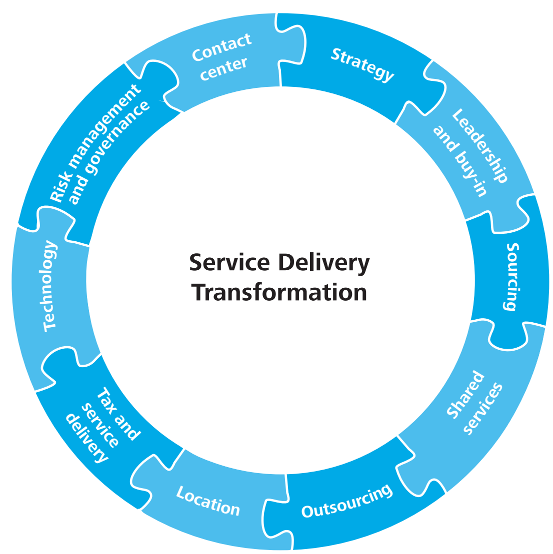
Afterword: A continual work in progress

In many ways, service delivery transformation is a journey, not a one-time event. Our experience shows that, at companies where service delivery is most effective, leaders think of the service delivery organization as a continual work in progress – one that can require both major changes and incremental improvements. Because your business needs are continually evolving, your approach to service delivery can and should shift over time.

We encourage you to keep these ten areas in mind as you continue to invest in your service delivery organization:

- Align your service delivery strategy with your business strategy.
- Craft an appropriate mix of services and sourcing options to effectively support the organization's execution of that strategy.
- Invest in shared services as if it were a profit center.
- Pay careful attention to how outsourcing relationships are managed.
- Perform detailed due diligence around talent before making any decisions about where to locate a facility.
- Remember that any transformation effort is likely to have tax implications.
- Don't let risk management lapse during the transformation.
- Take a service-based approach to IT investments and cost reductions.
- Explore ways to use the contact center as a resource for improving overall performance.
- Design your change management efforts based on a solid understanding of the way your people are likely to respond to different communication and leadership strategies.

Creating value with a service delivery organization takes discipline, commitment, a willingness to invest, and – most of all – a strategic view of how service delivery can support the organization's overarching goals. The journey may be challenging, but the value of the potential payoff cannot be denied: high-quality service, a sustainable cost structure, and, ultimately, an improved ability to help your organization achieve its strategic goals.



Transition: Getting there

Sooner or later, most enterprises will undergo a shift to their service delivery model. Whether it's implementing an SSO, contracting with an outsourced service provider, or both, getting from "what is" to "what will be" can be a difficult journey.

In our view, an effective transition is essential to realizing the expected value from a new service delivery model. A successful transition process can set the infrastructural and process foundation for effective future service delivery. It can establish the functions' and business units' confidence in the new service delivery model. And it can help the company realize benefits more quickly. On the other hand, an ineffectively managed transition can cast a damaging pall over the new service delivery model, which may take years to turn around.

The service delivery transition will depend on the particular service delivery model to which the enterprise is moving. For example, transitioning work to an outsourced service provider requires an awareness of inevitable divergences in client and provider interests, such as the provider's interest in stabilizing operations for profitable delivery versus the client's interest in adapting to evolving business needs and achieving continuous improvement. These divergences tend to be more muted with an internal SSO, which shares the enterprise's overall strategic objectives and organizational values and culture to an extent no external service provider can duplicate.

That said, we believe that several basic principles underlie any effective service delivery transition, whether it's to shared services, outsourcing, or a combination:

- **Lead from the top.** As with any transition, a service delivery transformation effort will likely generate noise from internal stakeholders. C-suite executives must publicly and visibly support the effort in order for the transformation to succeed.

- **Experience matters.** The success of an effective service delivery transition is directly related to a company's experience in previously managing transitions. Select leaders for the effort who have been there before – or at least have experience managing other types of complex initiatives and organizational changes.

- **Set up strong governance.** Identify key decisions that need to be made in the transition and make it clear who is responsible for making them and when. Form a steering committee that includes the functions and businesses, and develop a clear reporting and governance structure that facilitates timely, effective decision-making.

- **Manage the details.** Create a detailed master transition plan that clearly details all parties' tasks, roles, and responsibilities across the entire span of the transition. Identify key interdependencies and risks, and set critical milestones.

- **Resolve issues quickly.** Set up monitoring, reporting, and collaboration processes that can identify and escalate transition issues early and help to constructively resolve them.

- **Work across silos.** Functions such as IT, HR, real estate, tax, procurement, communications, and legal, among others, play critical roles in a transition. Workstreams, activities, and timelines need to be synchronized across functions. Find out which people from each function need to be involved, and set up processes that allow them to coordinate their transition-related activities.

- **Keep your eye on results.** Executive reporting during the transition is essential for allowing leaders to track progress towards business objectives. Develop business-focused key performance indicators for the effectiveness of the transition as well as for ongoing operations.

- **Keep people informed.** Communicate progress to the larger enterprise and celebrate successes.

- **Manage your stakeholders.** Understand what leadership styles and communications approaches work best for key stakeholders and the groups affected by the transition. Timing and messaging are key to winning over their hearts and minds.

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